

Appropriations Committee

Senator Robert “Bob” Burns, Chairman



Timothy Grubbs, Research Analyst

John Dennis, Intern

APPROPRIATIONS COMMITTEE

LEGISLATION ENACTED

nuclear emergency management fund; assessments (S.B. 1053) – Chapter 25

Effective April 10, 2007, appropriates the sum of \$2,807,740 in FYs 2007-2008 and 2008-2009 from the state General Fund to the Nuclear Emergency Management Fund to support the state response plan for commercial nuclear emergencies. It also assesses the same amount plus interest against each public service company and municipal entity engaged in the construction or operation of a commercial nuclear generating station.

named claimants; appropriations (S.B. 1186) – Chapter 285

Appropriates \$472,245 to the Arizona Department of Administration for payment of various claims made against the state. Exempts the FY 2006-2007 appropriation for the operating budget of the Prescott Historical Society from lapsing until the end of FY 2007-2008, effective retroactive to July 1, 2007.

prisoners; restitution payments (S.B. 1619) – Chapter 140

Removes the mandatory 30 percent deduction from a prisoner's compensation for court-ordered restitution. Requires instead the prison director to withdraw a minimum of 20 percent, or the balance owed on the restitution payment, up to a maximum of 50 percent of the money available each month in the prisoner's spendable account and the prisoner's trust fund or retention account, if applicable, for a court-ordered restitution payment.

motorcycle safety fund (H.B. 2051) – Chapter 146

Removes the \$150,000 cap on the Motorcycle Safety Fund and renames the "State Motorcycle Safety Advisory Council" as the "Arizona Motorcycle Safety Advisory Council."

~~vehicle license tax; hybrid vehicles~~ (NOW: commercial driver licenses) (H.B. 2228) – Chapter 214

Conforms Arizona's commercial driver license (CDL) and commercial motor vehicle statutes to federal regulations and rules. Changes include additional grounds for the revocation, suspension or cancellation of a CDL associated with various public safety-related violations. Additionally, CDL applicants must show proficiency in the English language to receive a class A, B or C license.

~~college courses; high school credit~~ (NOW: minimum wage; employers; liability) (H.B. 2245) – Chapter 272

Subject to the requirements for enactment for initiatives and referendums (Proposition 105), which require the affirmative vote of at least three-fourths of the members of each house of the Legislature, an emergency measure that exempts from liability, in any action or proceeding commenced on or after January 1, 2007, an employer or entity that fails to pay the minimum wage if the act or omission was in good faith and conformed with and relied on an administrative regulation, ruling, interpretation or policy issued by the Industrial Commission of Arizona.

APPROPRIATIONS COMMITTEE (Cont'd.)

~~community colleges; bonding; technical correction~~ (NOW: water district; Upper San Pedro)
(H.B. 2300) – Chapter 252

Authorizes the formation of an Upper San Pedro Water District, Board of Directors and taxing authority, which are all based on voter approval. A nine-member Organizing Board is established to develop an organizing plan, financial plan, comprehensive plan, including measurable objectives to obtain the goal within ten years, and an election plan. On request of the Organizing Board, the county board of supervisors may hold an election on the formation of an Upper San Pedro Water District (District) and the election of the members of the Board of Directors (Board). The county board of supervisors may also submit the question of the authority of the District to levy a transaction privilege tax (TPT) on water deliveries at that same election or any subsequent election. Formation of the District occurs upon approval of the majority of qualified electors voting on the question of formation.

Once formed, the District will include Fort Huachuca and the cities Sierra Vista and Tombstone, the Town of Huachuca City and the portion of the City of Bisbee located in the Upper San Pedro Groundwater Basin. The specified purpose and goal of the District is to maintain the aquifer and base flow conditions needed to sustain the Upper San Pedro River and to assist in meeting the water supply needs and water conservation requirements for Fort Huachuca and the communities within the District.

The seven-member Board, which replaces the Organizing Board 60 days after formation of the District, is authorized to perform various duties related to the achievement of the goal of the District, including acquiring property, water and energy, and entering into intergovernmental agreements and contracts as necessary. The Board must review and update the District's comprehensive plan at least every ten years and, if the voters approve the TPT, the Board must set the TPT rate, which may not exceed 50 cents per 1000 gallons of water delivered to customers in the District. The District also has the authority to generate revenues, in addition to the TPT, by the sale of water or water rights, user fees, revenue bonds and gifts and donations.

New subdivisions in the District are required to demonstrate an adequate water supply or obtain a written commitment from a water provider with an adequacy determination, with exemptions to the adequacy requirement based on plats approved prior to the formation of the District, substantial capital investment prior to the formation of the District, and water supply projects or Colorado River water rights that are not available or complete at the time, but will be within 20 years. These exemptions are determined and authorized by the Director of the Arizona Department of Water Resources.

The District must prepare an annual administrative budget and an operating budget as well as a verified statement of the financial condition of the District. The District must also obtain an annual audit of the monies of the District by a certified public accountant and submit an annual report to the Legislature with information including amount and type of water used; projects, permits and programs of the District; and finances and progress made by the District toward reaching the goal. The Auditor General must perform a special audit of the District after the first five years examining the finances and achievement of the water management goal and submit the report to the Governor and Legislature.

APPROPRIATIONS COMMITTEE (Cont'd.)

~~school districts; impact aid miscalculations~~ (NOW: school districts; budget; miscalculations; receivership) (H.B. 2305) – Chapter 234

Beginning May 25, 2007, extends the time frame to correct budget limit errors for two school districts (Tombstone Unified and Eloy Elementary) that miscalculated their budgets, from two to five years, two school districts (Cedar Unified and Indian Oasis-Baboquivari Unified) for which the Arizona Department of Education miscalculated their impact aid budgets, from two years to six years, and one school district (Saddle Mountain Unified) that overexpended its budget for three fiscal years, from two years to five years. The bill places Saddle Mountain Unified School District into immediate receivership and also extends the ability of the State Board of Education to place a school district into receivership until adjournment of the 2008 legislative session. Requires a school district to adjust its transportation revenue control limit (TRCL) to equal the amount of the transportation support level (TSL) if the TSL exceeds the TRCL in any budget year, and for every year thereafter. Creates a ten-member joint legislative study committee to review and make recommendations on the causes of school district budget miscalculations, role and responsibility of all involved parties in the issuance and registration of warrants and the extension of school district receivership statutes.

centennial; administrative costs; appropriation (H.B. 2407) – Chapter 78

Effective April 16, 2007, allows the Arizona Historical Advisory Commission (AHAC) to accept and spend appropriations to contract for administrative and clerical staff in order to develop and coordinate a statewide plan regarding the state's centennial in 2012. Transfers \$50,000, exempt from lapsing, from a previous appropriation made to the Legislative Council by Laws 2006, Chapter 350, to AHAC for hiring and planning.

archives building; purchase of property (H.B. 2465) – Chapter 44

Effective April 11, 2007, authorizes the Director of the Arizona Department of Administration to purchase property adjacent to the State Archives and History building using a previous appropriation made by Laws 2004, Chapter 194.

~~licensing eligibility; lawful presence; verification~~ (NOW: public programs; eligibility) (H.B. 2467) – Chapter 275

Requires any person who applies for a state administered public program that requires participants to be U.S. citizens or otherwise lawfully present in the U.S. to submit documentation demonstrating lawful presence to the entity that administers the public program. Stipulates that self-declaration is not sufficient by itself to demonstrate lawful presence and defines "self-declaration." Requires enforcement in a nondiscriminatory manner.

~~transportation districts~~ (NOW: school districts; overexpenditures; receivership) (H.B. 2612) – Chapter 238

Effective June 1, 2007, extends the time frame to correct budget limit overexpenditures, from two to five years, for the Union Elementary School District that overexpended its budget in FY 2004-2005 through FY 2006-2007 and places the Union Elementary into immediate receivership. Requires the Arizona Department of Education to report annually to the Governor and the Legislature on the school districts that overexpend their budgets for the prior fiscal year and the amount of each expenditure by funding source.

APPROPRIATIONS COMMITTEE (Cont'd.)

property tax; electric generation valuation (H.B. 2657) – Chapter 203

Replaces the requirement that the property tax valuation of land used in operating electric generation facilities be calculated by the county assessor with the requirement that, beginning with the 2007 valuation year, the value of the land is the cost to the current owner as of December 31 of the preceding year.

fair and legal employment act (H.B. 2779) – Chapter 279

Prohibits an employer from intentionally or knowingly employing an unauthorized alien and prescribes penalties, beginning January 1, 2008, for employers in violation. Requires the Attorney General (AG) to maintain a database of all employers who have a first violation of intentionally or knowingly employing an unauthorized alien. Classifies knowingly filing a false and frivolous complaint against an employer as a class 3 misdemeanor. Requires all employers, beginning January 1, 2008, to use the Basic Pilot Program to verify the employment eligibility of new hires. Establishes an eight-member Employer Sanctions Legislative Study Committee to examine the employer sanctions laws and regulations in Arizona and make recommendations to the Governor and the Legislature by December 31, 2008.

Classifies knowingly obtaining, manufacturing, recording, possessing or using any personal identifying information of another person, with the intent to obtain employment, as aggravated identity theft, which is a class 3 felony. The measure also reduces, from five to three, the number of identities that a person must knowingly obtain, manufacture, record, possess or use without consent, with the intent to use the identities for an unlawful purpose or to cause loss, in order for the person to commit aggravated identity theft.

Appropriates, from the state General Fund in FY 2007-2008, \$100,000 to the AG and \$2,430,000 to the Arizona Department of Administration to be distributed to the county attorneys for the purpose of enforcing immigration-related matters and the employer sanctions requirements. Appropriates \$70,000 in FY 2007-2008 to the Arizona Department of Revenue for the purpose of employer notification.

~~general appropriations; 2007-2008~~ (NOW: ~~general appropriations; 2007-2008; 2008-2009~~) (H.B. 2781) – Chapter 255

Effective July 1, 2007, makes state General Fund (GF) and other fund appropriations for FY 2007-2008 and FY 2008-2009 for the operation of state government, which includes a total of \$10.6 billion in GF spending, and approximately \$27 billion in spending from all sources. For budget details, refer to the Joint Legislative Budget Committee FY 2008 Appropriations Report.

~~supplemental appropriations; fiscal year 2006-2007~~ (NOW: ~~fiscal year 2006-2007; supplemental appropriations~~) (H.B. 2782) – Chapter 256

Effective June 25, 2007, appropriates supplemental amounts to state agencies for FY 2006-2007, including the following from the state General Fund:

Agency	Purpose	Amount
Department of Administration (ADOA)	Utility costs	\$ 1,700,000
Attorney General	Attorney General legal services	261,500
Department of Economic Security (DES)	Deficit Reduction Act backfill	19,700,000
Department of Corrections	Inmate health care costs	9,656,000

APPROPRIATIONS COMMITTEE (Cont'd.)

Makes the following appropriations from other funds:

Agency	Purpose	Fund	Amount
ADOA	Internal Revenue Service tax payment	Payroll Clearing Fund	\$1,937,000
DES	Home and community based services	Long-Term Care System Fund	8,800,000
	Home and community based services	Title XIX Expenditure Authority	3,000,000
Medical Board	Litigation expenses	Arizona Medical Board Fund	326,000
Board of Respiratory Care Examiners	Health related increases and other operating expenditures	Board of Respiratory Care Examiners Fund	30,000
Department of Revenue	Litigation expenses	Risk Management Fund	1,000,000

Extends the lapsing date of \$500,000 appropriated to the Department of Emergency and Military Affairs for Project Challenge in both FY 2005-2006 and FY 2006-2007 through June 30, 2008.

~~capital outlay; appropriations~~ (NOW: appropriations; capital outlay) (H.B. 2783) – Chapter 257

Makes appropriations and session law changes related to capital outlay for the FY 2007-2008 state budget.

Building Renewal – Appropriates the following amounts in FY 2007-2008 to the following agencies for building renewal:

Agency	Fund	Amount
Department of Administration (ADOA)	Capital Outlay Stabilization Fund	\$ 7,257,100
Department of Transportation (ADOT)	State Highway Fund	3,777,100
	State Aviation Fund	141,100
Arizona Exposition and State Fair Board	Arizona Exposition and State Fair Fund	1,631,800
Game and Fish (G&F) Department	G&F Fund	474,200
Arizona Lottery Commission	State Lottery Fund	60,000

Major Capital Projects – Appropriates the following amounts in FY 2007-2008 to the following agencies for major capital projects:

Agency	Purpose	Fund	Amount
ADOA	Prison cell locks and cell doors replacement	state General Fund (GF)	\$ 5,200,000
	Old health laboratory renovation	GF	2,207,000
	Department of Juvenile Corrections HVAC and electrical renovation	GF	885,000
	Tucson office building renovations	Risk Management Revolving Fund	1,500,000
G&F	Boat shade canopies	Watercraft Licensing Fund	195,000
	Boat registration kiosks	Watercraft Licensing Fund	240,000
	Shooting range access improvements	G&F Capital Improvement Fund	150,000
	Statewide preventative maintenance	G&F Fund	30,000
	Headquarters construction	Watercraft Licensing Fund	80,000
	Becker Lake facilities improvements	G&F Capital Improvement Fund	120,000
	Becker Lake wildlife area bridge	G&F Capital Improvement Fund	52,000
	Regional (Flagstaff) office remodel/expansion	G&F Capital Improvement Fund	1,050,000
	Seven Mile shooting range	G&F Capital Improvement Fund	48,000
	Robbins Butte levee	G&F Capital Improvement Fund	228,000
ADOT	Statewide highway construction	State Highway Fund	239,901,800

APPROPRIATIONS COMMITTEE (Cont'd.)

Agency	Purpose	Fund	Amount
ADOT	Airport planning and development	State Aviation Fund	\$25,306,000
	Payson MVD service center	Highway Users Revenue Fund	1,229,400
	Surprise MVD service center	Highway Users Revenue Fund	3,956,300
	De-icer buildings	State Highway Fund	1,850,000
	Oil and asphalt storage tanks	State Highway Fund	1,365,000
	Vehicle wash systems	State Highway Fund	2,021,300
	Safford vehicle maintenance shop	State Highway Fund	3,215,000
	Far southeast valley multiuse facility	Highway Users Revenue Fund	1,511,900
	Far southeast valley multiuse facility	State Highway Fund	5,190,000
	Grand Canyon Airport restroom renovations	State Aviation Fund	210,000
	Grand Canyon Airport water storage tank renovations	State Aviation Fund	635,000

G&F Department – Requires the G&F Department to conduct a feasibility study regarding the development of a shooting range in Sunflower, Arizona.

Department of Economic Security (DES) – Appropriates \$142,500 from the GF in FY 2007-2008 to DES for distribution to the Hopi Tribe for one-time funding for architectural and design of an assisted living center.

Appropriates \$1,000,000, exempt from lapsing, in each of FY 2007-2008 and FY 2008-2009 to DES for distribution to the Navajo Nation for a multipurpose center.

Lease Purchase Authorization – Allows ADOA to enter into 15-year lease purchase agreements in an amount not to exceed \$39,000,000, with the first payment occurring in FY 2008-2009, for the following projects: 1) \$32,200,000 for a new forensic unit at the Arizona State Hospital and 2) \$6,800,000 for prison water and wastewater projects.

Arizona Welcome Center – Appropriates \$1,000,000, exempt from lapsing, in each of FY 2007-2008 and FY 2008-2009 to the Office of Tourism for the Arizona Welcome Center in Yuma.

Allows the City of Yuma to receive monies appropriated in FY 2006-2007 for the Arizona Welcome Center if the property is conveyed by license to the City of Yuma.

tax relief package: 2007 (NOW: 2007 tax reduction package) (H.B. 2784) – Chapter 258

Accelerates the reduction of class 1 property assessment ratio (from 25 percent to 20 percent) from ten years to six years. Personal property purchased in 2008 and thereafter is subject to an increased accelerated depreciation schedule for property tax purposes.

For tax years 2008 through 2012, a taxpayer may elect an individual income tax subtraction for contributions to a qualified 529 college savings plan. The amount of the subtraction is \$750 for single taxpayers and \$1500 for married filing jointly.

Sales of admission to the 2009 National Basketball Association All-Star game and other related events are exempt from the transaction privilege tax.

Establishes the Military Family Relief Fund (Fund), administered by the Arizona Department of Veterans' Services, to provide financial assistance to family members of Arizona-based military personnel killed or wounded in the line of duty. Assistance to family members must be based on financial need. The 13-member Military Family Relief Advisory Committee is established to

APPROPRIATIONS COMMITTEE (Cont'd.)

determine appropriate uses of monies in the Fund. One hundred thousand dollars is appropriated in FY 2007-2008 to the Fund for administrative costs. Creates a tax credit for donations to the Fund for tax years 2008 through 2012. The amount of the credit is the lowest of: 1) the total amount of the taxpayer's contributions to the Fund; 2) \$200 for a single taxpayer; 3) \$400 for a married couple filing a joint return; or 4) the taxpayer's tax liability. The maximum allowable amount of tax credits is limited to \$1,000,000 annually.

~~budget procedures; budget reconciliation~~ (NOW: budget reconciliation; budget procedures) (H.B. 2785) – Chapter 259

Arizona Department of Administration (ADOA) – Specifies that ADOA administers all subaccounts and private accounts within the Telecommunications Fund. Increases, retroactive from June 30, 2007, the pro rata share for the Personnel Division Fund from 1.04 percent to 1.07 percent of the total payroll of an agency.

Greater Arizona Development Authority (GADA) – Expands the definition of infrastructure under the purview of GADA to include any land, building or other personal property that comprises part of a facility and clarifies that the definition of pledged revenues for the repayment of a loan agreement includes monies received by a special district or Indian tribe. The bill states that assets used by an Indian tribe to secure a loan from GADA are subject to execution by the Attorney General in the event of a default on the loan contract.

Allows GADA's board of directors to direct the State Treasurer to divest monies in the GADA Revolving Fund as needed to pay the principal and interest on bonds issued by GADA. Expands GADA's duties to include providing financial assistance to entities under its purview when those entities acquire, improve or construct infrastructure; requires voter approval of financial assistance to a county with a population of more than 200,000 persons.

Information Technology – Requires the Information Technology Authorization Committee to approve or disapprove information technology project changes and contract amendments with costs exceeding \$1,000,000. Requires GITA to execute a contract for the state web portal that takes effect contingent on review by the Joint Legislative Budget Committee (JLBC). Retroactively applies the contract to July 1, 2007.

Requires the Government Information Technology Agency (GITA) to issue a request for proposals (RFP) to contract for data encryption solutions for all state agencies that maintain more than 10,000 records that contain personal information.

Establishes the Statewide Information Security and Privacy Office (Office) within GITA. Requires the Director of GITA to appoint a Statewide Chief Information Security Officer. Requires the Office to develop, implement, maintain and ensure compliance by state budget units with a coordinated statewide assurance plan for information security and privacy. Allows the Office to temporarily suspend operation of information infrastructure to contain an information security or privacy protection incident. Appropriates \$500,000 from the state General Fund in FY 2007-2008 and in FY 2008-2009 to GITA to conduct a statewide security risk assessment.

Continues to exempt from lapsing provisions the amounts appropriated to the information technology plan special line item for the Arizona State Retirement System for FY 2004-2005 through June 30, 2008.

APPROPRIATIONS COMMITTEE (Cont'd.)

Department of Economic Security (DES) – Exempts from lapsing a FY 2006-2007 appropriation of \$350,000 from the state General Fund to DES for distribution to the Navajo Tribe for funding of senior citizen centers and appropriates to DES unexpended or unencumbered monies remaining from a FY 1998-1999 appropriation for a senior center at Chilchenbeto for distribution to the Navajo Tribe for funding of senior citizen centers.

Department of Revenue (DOR) – Requires, retroactive to July 1, 2007, DOR to submit its proposed changes to JLBC before executing any extension or modification of the current Business Reengineering/Integrated Tax System contract with a fiscal impact that increases the contractor's share of gain-sharing proceeds from state revenues during FY 2007-2008.

Elections – Requires an officer in charge of elections to provide for a live video recording of the custody of all ballots located in a counting center and to retain the recording as a public record. The live video must be linked to the Secretary of State's website for viewing by the public. Appropriates \$300,000 from the state General Fund in FY 2007-2008 in the amount of \$20,000 to each county's officer in charge of elections for video recording of election ballots.

Military – Increases the uniform allowance provided to officers in the Arizona National Guard to \$250 annually and appropriates \$250,000 from the state General Fund in FYs 2007-2008 and 2008-2009 to the Department of Emergency and Military Affairs to be transferred to the Arizona National Guard for uniform and equipment allowances.

Exempts from lapsing monies appropriated to the Military Base Economic Impact Study special line item for the Arizona Department of Commerce in FY 2006-2007.

~~general revenues; budget reconciliation~~ (NOW: budget reconciliation; general revenues) (H.B. 2786) – Chapter 260

Contains the budget reconciliation provisions for changes relating to annual financial reporting by the Arizona Department of Administration, unclaimed property procedures, unrestricted federal monies and the collection of fees and assessments by the departments of Insurance and Real Estate. Appropriates \$1,000,000 to the Department of Economic Security in FY 2007-2008 for homeless shelters and \$25,000,000 to the Arizona Twenty-First Century Competitive Initiative Fund in each of FYs 2007-2008 through 2010-2011 for economic development grants.

~~criminal justice; budget reconciliation~~ (NOW: budget reconciliation; criminal justice) (H.B. 2787) – Chapter 261

Deoxyribonucleic Acid (DNA) Testing – Requires an additional assessment of four percent to be levied on every fine, penalty and forfeiture imposed and collected by the courts for criminal offenses and any civil penalty imposed for a motor vehicle violation or any violation of the state's Game and Fish statutes through December 31, 2011, for deposit into the Arizona Deoxyribonucleic Acid Identification System (System) Fund (Fund). The bill reduces the additional assessment by one percent beginning January 1, 2012.

Requires an arresting authority or its designee to: 1) secure a DNA sample from any person arrested for specified crimes, including homicide, dangerous crimes against children and sexual offenses, and who is transferred by the arresting authority to a state, county or local law enforcement agency or jail, and 2) transmit the DNA samples to the Department of Public Safety (DPS).

APPROPRIATIONS COMMITTEE (Cont'd.)

Any person who is arrested for one of the specified crimes and who is subsequently released on his or her own recognizance or bail must submit a DNA sample within five days. Creates a bail violation for persons who fail to submit DNA testing.

Allows a person who is not otherwise required to submit a DNA sample and who is acquitted or for whom criminal charges have been dropped to petition the superior court in the appropriate county to have the person's DNA profile and sample expunged from the System.

Appropriates \$1,980,000 in FY 2007-2008, \$2,980,000 in FY 2008-2009, \$3,484,000 in FY 2009-2010, \$3,440,000 in FY 2010-2011 and \$3,520,000 in FY 2011-2012 from the Fund to DPS to implement, conduct and maintain DNA testing.

Attorney General – Specifies that monies from the Anti-Racketeering Revolving Fund used for capital projects in excess of \$1,000,000 are subject to review by the Joint Committee on Capital Review (JCCR). Increases, retroactive to July 1, 2007, the pro rata share for the Legal Services Cost Allocation Fund from .635 percent to .675 percent and allows the use of the Collection Enforcement Revolving Fund for operating expenses in FYs 2007-2008 and 2008-2009.

Arizona Department of Corrections (ADC) – Expands eligibility for ordinary disability retirement to Corrections Officer Retirement Plan (CORP) members and defines the amount of an ordinary disability pension. Conditions the enactment of this provision on CORP achieving a funding value ratio of 100 percent assets to liabilities, but no later than June 30, 2010.

Repeals the provisions of Laws 2006, Chapter 348, which appropriated \$11,193,000 from the state General Fund in FY 2007-2008 to the Arizona Department of Administration (ADOA) for prison bed per diem costs and requires the Director of ADC to negotiate contracts or amendments to existing contracts for the construction of 2,000 new private prison beds.

Authorizes ADOA to enter into 20-year lease-purchase agreements not exceeding \$200,000,000 to construct 4,000 new public beds with the first payment due FY 2008-2009. Allows ADOA to allocate up to \$275,000 for four full-time equivalent employees each fiscal year for oversight and management.

Requires the Director of ADC to determine the appropriate inmate populations for placement in the private prison facilities and to jointly submit a quarterly report to JCCR with the Director of ADOA on the status of the construction of the new public and private prison beds.

States that it is the intent of the Legislature to fully fund contracts entered into by ADC for private prison facilities.

Department of Public Safety (DPS) – Continues to redirect nine percent of Criminal Justice Enhancement Fund revenues, formerly deposited into the state General Fund, to DPS to fund crime lab operations in FY 2007-2008.

Requires ADOA and DPS to report jointly to the Joint Legislative Budget Committee by December 1, 2007, on the feasibility of transferring Capitol Police personnel to DPS.

APPROPRIATIONS COMMITTEE (Cont'd.)

~~environment; budget reconciliation~~ (NOW: budget reconciliation; environment) (H.B. 2788) – Chapter 262

Makes statutory and session law changes related to environment issues necessary to implement the FY 2007-2008 budget.

Community Protection Initiative (CPI) Program and Fund – Establishes the CPI Program and Fund to be managed by the State Forester for the purposes of issuing grants to communities at risk of wildfire to assist in completing community wildfire protection plans and reducing the volume of hazardous fuels from nonfederal forest lands. Appropriates \$1,000,000 to the CPI Fund from the state General Fund in FY 2007-2008.

Livestock and Crop Protection Fund – Permanently sets the Arizona Department of Agriculture administrative cap on the Livestock and Crop Protection Fund at ten percent, rather than five percent.

State Mine Inspector – Extends, from July 2007 until July 1, 2008, the appropriation of aggregate mining reclamation plan submission fees to the State Mine Inspector for the purposes of plan review and evaluation.

State Parks Board – Permits the State Parks Board to spend up to \$692,100 from its portion of the Off-Highway Vehicle Recreation Fund for operation expenses in FYs 2007-2008 and 2008-2009 and makes all State Parks Enhancement Fund monies available to the State Parks Board in FYs 2007-2008 and 2008-2009 for the operation of state parks or to acquire and develop state parks as determined by the State Parks Board with review by the Joint Committee on Capital Review.

Water Development Fund – Suspends the statutory state General Fund appropriation to the Water Development Fund for FYs 2007-2008 and 2008-2009, and specifies the amount is appropriated in the general appropriations act, which is \$250,000 in FY 2007-2008 and \$0 in FY 2008-2009.

Underground Storage Tank Assurance Account – Suspends the statutory administrative cap on the Underground Storage Tank Assurance Account for FYs 2007-2008 and 2008-2009. The Arizona Department of Environmental Quality may transfer \$6,531,000 from the Assurance Account for administrative costs of the Underground Storage Tank Leak Prevention Program and for the Used Oil Program.

Arizona Navigable Stream Adjudication Commission – Lengthens the exemption from lapsing, until June 30, 2008, for the \$50,000 appropriation to the Arizona Navigable Stream Adjudication Commission in FY 2005-2006.

Water Infrastructure Finance Authority (WIFA) – Requires WIFA to assist municipalities that are remediating discharged untreated or improperly treated wastewater into the groundwater that may impact the Colorado River and are converting from septic or other wastewater treatment systems to an approved sewer system. The assistance may include, but does not require, replacing an existing 20-year loan and obtaining a 30-year loan under the Clean Water Program.

APPROPRIATIONS COMMITTEE (Cont'd.)

~~health and welfare; budget reconciliation~~ (NOW: budget reconciliation; health and welfare)
(H.B. 2789) – Chapter 263

Makes statutory and session law changes related to health and welfare issues to implement the FY 2007-2008 budget.

Arizona Health Care Cost Containment System (AHCCCS) – Continues the KidsCare Parents program for one year. Increases the AHCCCS income eligibility level for pregnant women from 133 percent of federal poverty guidelines to 150 percent; appropriates \$1,800,000 from the state General Fund and \$3,536,500 in federal expenditure authority in FY 2007-2008 for the costs of the increased eligibility.

Removes the specific statutory prohibition on the AHCCCS Administration contracting with a school district for KidsCare related functions and allows the AHCCCS Administration and its contractors to collaborate with specified entities for outreach and information activities. Requires permission of the school principal and school district before a school district performs outreach.

Allows, effective March 1, 2008, the AHCCCS Director to require health insurers and other entities to provide enrollment information to determine whether an individual eligible for AHCCCS was enrolled in private insurance, accept the AHCCCS Administration's right to recover monies paid for enrollees and follow procedures for facilitating that recovery.

Requires, retroactive to July 1, 2007, but beginning with dates of service on or after October 1, 2007, the AHCCCS Administration to phase-in over three years the use of the most recent statewide urban and rural average Medicare cost-to-charge ratios to reimburse outlier costs. Prohibits outlier reimbursement for maternity costs.

Makes permanent the requirement that AHCCCS redetermine eligibility every six months for adults age 21 and older who are being redetermined eligible for Temporary Assistance for Needy Families (TANF) cash benefits. Requires AHCCCS to report to the Joint Legislative Budget Committee (JLBC) on nonemergency transportation.

Sets the county contributions for the Arizona Long-term Care System by county. Decreases Maricopa County's FY 2007-2008 acute care contribution by \$8,124,300 below FY 2006-2007. Continues county contributions for various programs at FY 2006-2007 levels. Excludes county contributions for Proposition 204 administrative costs and hospitalization and medical care from county expenditure limits.

Healthcare Group (HCG) – Prohibits, retroactive to July 1, 2007, and until the law's effective date, HCG from enrolling more than 9,800 eligible employer groups. Prohibits HCG from enrolling any additional employer groups after the effective date of the law. Requires the Director of the Department of Insurance (DOI) to conduct a statutory financial examination of HCG as if HCG were a health care insurer. Establishes the HCG Study Committee (Study Committee) to examine the feasibility of continuing HCG or establishing a high risk pool, or both, and make a recommendation on those options. Sets the default HCG hospital reimbursement rate, when a contract does not exist between an HCG contractor and a provider, at 114 percent of AHCCCS reimbursement rates. Repeals the HCG employer group enrollment limit, financial examination, Study Committee and the use of AHCCCS rates on August 1, 2008.

APPROPRIATIONS COMMITTEE (Cont'd.)

Disproportionate Share Hospital (DSH) Payments – Restructures the payment mechanism for DSH payments by requiring the Maricopa Special Health Care District (District) and the Arizona State Hospital (State Hospital) to provide a certified public expense (CPE) form for qualifying DSH expenditures. The AHCCCS Administration shall file a claim with the federal government and receive federal matching funds based on the District's and State Hospital's CPE amounts. After receiving the federal matching funds, the AHCCCS Administration will distribute \$4,202,300 to the District and deposit the remaining federal funds into the state General Fund. Prescribes procedures for when the CPE amount is less than estimated.

Stipulates that the FY 2007-2008 DSH payments result in the same net state General Fund benefit as in FY 2006-2007. The private hospital distribution is unchanged from FY 2006-2007.

Graduate Medical Education (GME) programs – Establishes, retroactive to July 1, 2007, priorities for GME funding appropriated in the FY 2007-2008 General Appropriation Act and adjusts and limits funding for programs that received distributions in prior years. Allows the AHCCCS Administration to reallocate monies among FY 2006-2007 and FY 2007-2008 program priorities if funding for those programs is insufficient to cover appropriate GME costs. Allows local, county and tribal government to provide funding to draw down additional federal matching monies for programs or positions in certain circumstances.

Department Of Health Services (DHS) – Requires a regional behavioral health authority (RBHA) to perform only managed care functions and prohibits a RBHA from providing direct services, except as otherwise specified. Limits reimbursement for services provided directly by a RBHA to 30 percent above the AHCCCS fee-for-service rate for the same service. Requires monies appropriated for seriously mentally ill services to be spent for those services only.

Continues to require Maricopa and Pima counties and all cities to pay 86 percent of restoration to competency costs; continues to exempt all other counties from paying for restoration to competency costs. Stipulates that immunization against the human papillomavirus is not required for school attendance. Appropriates, retroactive to July 1, 2007, the FY 2005-2006 balance in the Vital Records Electronic Systems Fund to DHS in FY 2007-2008.

State Employee Health Insurance – Requires the Arizona Department of Administration (ADOA) to design programs for state employees to use a health savings account paired with a high deductible health plan (HDHP), and a health reimbursement account paired with an HDHP. Requires, by December 1, 2007, ADOA to submit the program designs, containing specified information, for JLBC review.

Requires ADOA to report to JLBC benefit changes and any associated costs at least 45 days before the change. Continues to prohibit ADOA from implementing a differentiated health insurance premium based on the integrated or nonintegrated status of a state employee health insurance provider.

Small Business Health Insurance – Expands, retroactive to September 21, 2006, the businesses that are able to purchase "mandate-lite" plans to include all employers with 2 to 50 employees. Stipulates that the six-month uninsured requirement for businesses applies to the six-month period immediately prior to the mandate-lite coverage and does not apply upon renewal of coverage.

APPROPRIATIONS COMMITTEE (Cont'd.)

Requires, retroactive to September 21, 2006, applications for the existing small business health insurance premium tax credit to contain a written declaration that the application is made under penalties of perjury. Extends the time period in which the initial certificate of eligibility is valid from 30 to 90 days. Requires the individual or small business to obtain rather than apply for health insurance in order for the certificate of eligibility to remain valid for one year.

Department of Economic Security (DES) – Requires DES to establish a Lifespan Respite Care Program (Program) to perform specified functions, including coordination of respite care services. Appropriates \$500,000 and one FTE position from the state General Fund in FY 2007-2008 to DES for the purposes of the Program.

Continues to allow DES to reduce income eligibility levels for child care assistance and requires DES to notify JLBC of any changes within 15 days of implementation of the change.

Moves, retroactive to July 1, 2007, DHS autism services to DES. Expands the types of children that may receive the funding.

Stem Cell Bank – Appropriates \$1,000,000 from the state General Fund annually from FY 2007-2008 through FY 2011-2012 to the Biomedical Research Commission for a public adult stem cell bank.

~~***K-12 education; budget reconciliation***~~ (NOW: budget reconciliation; K-12 education) (H.B. 2790) – Chapter 264

Makes statutory and session law changes necessary to implement the FY 2007-2008 state budget, including:

K-12 Funding for FY 2007-2008 – Increases by 4.2 percent the amount of additional assistance for charter schools and increases the base level for all public schools by approximately 3 percent, which includes \$46,000,000 appropriated to fund salary and benefit increases to nonadministrative personnel employed by school districts, charter schools and the Arizona Schools for the Deaf and the Blind. Increases the state Transportation Support Level by 2 percent per mile. Continues to require the Arizona Department of Education (ADE) to reduce the amount of rapid decline funding a school district would otherwise receive by 50 percent.

Makes permanent the authority for a school district or charter school governing body to approve a school year of either 180 days or the equivalent number of minutes of instruction based on a different number of days.

Extends the “soft cap” on school districts’ budgeting for desegregation activities for FY 2007-2008.

Authorizes the ADE or the Auditor General to conduct average daily membership audits of public schools in FY 2006-2007.

Joint Technological Education District (JTED) – Funds state aid for JTEDs in FY 2007-2008 at 91.8 percent of the amount that otherwise would be provided by law and reduces JTED budget limits accordingly. Continues state aid funding for a JTED at the FY 2006-2007 amount if its FY 2007-2008 funding is less than the FY 2006-2007 funding level.

APPROPRIATIONS COMMITTEE (Cont'd.)

Math or Science Achievement Grant Program (Grant Program) – Creates the Grant Program to be administered by the State Board of Education (SBE) to promote improved pupil achievement through funding of innovative mathematics and science programs. The SBE will award grants to school districts and charter schools to conduct programs in-house or through a contract with a service provider to increase pupil skills, with funding priority given to schools that have low mathematics and science test scores. Allows the SBE to retain five percent of the appropriated Grant Program monies for administrative costs. Terminates the Program on July 1, 2017.

Identity Verified Fingerprints – Institutes a new identity verified fingerprint card process beginning on January 1, 2008, for applicants seeking new or renewal teaching certificates, individuals in teaching positions at a charter school or noncertificated personnel employed at public schools. Requires the applicants to request an application packet directly from the Department of Public Safety (DPS) containing a blank fingerprint card that will be returned directly to the DPS from a law enforcement agency, school district, charter school or contracted entity, after verification of the applicant's identity through a recognized means of photographic identification. Appropriates \$125,000 to the DPS from the state General Fund in FY 2007-2008 to develop and implement the identity verified fingerprint clearance card process and digital storage and retrieval of fingerprints for fingerprint card applicants. Individuals who have submitted fingerprints after January 1, 2008, will not be required to resubmit fingerprints unless the original fingerprints are lost, damaged or of insufficient quality to perform a valid technical search.

American Competitiveness Project Fund (Fund) – Creates the Competitiveness Fund and directs the ADE to administer the Fund through solicitations and acceptance of donations, grants, gifts and contributions to provide technical assistance and to award grants to schools that offer academic programs that emphasize foreign language acquisition, international business and world history.

Arizona Government Education Fund (AGEF) – Appropriates \$100,000 from the state General Fund in FY 2007-2008 to the ADE for the AGEF to be used by the ADE to contract with a third party to provide annual, week-long high school civics courses with a focus on state government to be held at public and private postsecondary institutions in this state. Requires the civics courses to be sponsored by a federally chartered national veterans' organization that has at least 50 years of experience in providing civics education.

Instructional Technology Systems Pilot Program (Program) – Appropriates \$1,000,000 from the state General Fund in FY 2007-2008 to the ADE to create the Program, in collaboration with the SBE. The K-8 school or school with any combination of K-8 grades, selected by the ADE and the SBE, is required to use monies to: 1) upgrade classroom technology systems; 2) ensure access to one networked computer with broadband Internet access for each pupil; and 3) provide technology training to teachers. Requires the ADE, beginning on January 1, 2008, to submit an annual update to the Governor, Legislature and Joint Legislative Budget Committee (JLBC) summarizing the Program's impact on the school's budget delineated by capital, administrative and classroom spending, maintenance and operations and capital expenditures, and impact on accountability measures and pupil academic gain. Terminates the Program on July 1, 2010.

Joint Legislative Study Committee on K-12 School Funding and Best Practices (Committee) – Creates the ten-member Committee, of which five members each are appointed by the President of the Senate and the Speaker of the House of Representatives. Directs the Committee to review and make recommendations on the following: 1) school district and charter school maintenance and operations and capital funding, including formula based funding impacting local

APPROPRIATIONS COMMITTEE (Cont'd.)

and state funds and 2) best practices in school programs and school finance. Requires the Committee to submit an initial report on or before December 1, 2007, and the final report on or before December 1, 2008, to the Governor and the Legislature.

Certification Exam Fees – Removes the minimum and maximum fee caps for the United States and Arizona constitutions and proficiency examinations required for teacher certification and sets the fees for each examination at an amount not to exceed the fee assessed by the test publisher.

Employee Discipline and Risk Management Staff Development – Appropriates \$400,000 from the state General Fund in FY 2007-2008 to the ADE to purchase qualified outsourced materials for staff development for education administrators and managers in the area of employee discipline and risk management.

E-learning Pilot Program – Adds to the E-Learning Task Force: 1) two persons who represent higher education and who are experts in education technology and 21st century learning, one each appointed by the President of the Senate and the Speaker of the House of Representatives and 2) one person who has a background in online or digital format formative assessment, who is appointed by the Governor. Extends by one year the deadlines for the E-learning Task Force.

Reading First Grants - Appropriates \$1,000,000 from the state General Fund to the ADE in FY 2007-2008 to expand the federal Reading First initiative of No Child Left Behind through grants to schools that do not currently participate in Reading First and do not receive Title I federal monies.

~~higher education; budget reconciliation~~ (NOW: budget reconciliation; higher education) (H.B. 2791) – Chapter 265

Makes statutory and session law changes necessary to implement the FY 2007-2008 state budget, including:

University Capital Projects – Allows indirect or third party financing for capital projects that may become state assets, subject to a review by the Joint Committee on Capital Review (JCCR). Requires the Arizona Board of Regents (ABOR) to report to the JCCR the scope, purpose and estimated costs of commercial projects developed on university land in which the majority of business conducted is anticipated to be from a nonuniversity population. Retroactive to July 1, 2007, permits the ABOR to establish new university campuses that did not exist as of July 1, 2007, subject to a JCCR review. Continues the ABOR reporting requirement on the Arizona State University Downtown Phoenix Campus.

Math, Science and Special Education Teacher Student Loan Program (Program) – Beginning in the spring semester of 2008, allows the ABOR to grant up to five-year loans for the cost of resident tuition, instructional materials and fees, on a first-come, first-serve basis, to eligible in-state students pursuing a teaching degree in mathematics, science and special education at a public university in the state. The eligible student must agree to service commitment, beginning one calendar year after attaining a bachelor's degree at an accredited in-state university, requiring full-time teaching service for one year for each year of the loan plus one additional year. Requires the repayment of the loan with up to seven percent interest if the loan recipient fails to complete course of study or service commitment, unless the ABOR determines justifiable good cause to defer repayment or the service commitment. Terminates the Program on July 1, 2017.

APPROPRIATIONS COMMITTEE (Cont'd.)

Tribal Community Colleges Tax Transfer – Repeals Laws 2002, Chapter 330, that limited the distribution of up to \$1.75 million per tribe of transaction privilege tax revenues earned on individual tribal lands only to the Navajo Nation for the benefit of Diné College and expands the recipients to also include the Tohono O'odham Nation. Allows for a ten-year renewal for an existing compact between a qualifying Indian tribe and the state.

Miscellaneous – Provides a tuition waiver scholarship at a public university or community college to a child or spouse of a resident member of the United States armed forces, stationed in Arizona, who was killed in the line of duty or who died from injuries while in the line of duty. Requires public universities to publicly post all employment openings, including title and description, application instructions and contact information. Increases the annual cap on Private Postsecondary Education Student Financial Assistance Program awards from \$1,500 to \$2,000 annually, and the two-year cap from \$3,000 to \$4,000.

~~school facilities board; budget reconciliation~~ (NOW: budget reconciliation; school facilities board) (H.B. 2792) – Chapter 266

Makes statutory and session law changes necessary to implement the FY 2007-2008 state budget, including:

New School Facilities – Adds the following requirements to the existing New School Facilities annual report submitted to the Joint Committee on Capital Review: 1) detailed demographic assumptions; 2) proposed construction schedules; and 3) construction cost estimates for projects in the current and subsequent fiscal year. Modifies the deadline date for the New School Facilities annual report from October 15 to June 15 of each year.

Building Renewal – Retroactive to July 1, 2007, requires a school district to use building renewal monies for primary projects, unless only secondary projects exist or secondary projects are necessary to comply with building, health, fire or safety codes, upon approval of the School Facilities Board (SFB).

Task Force on K-12 School Facilities (Task Force) – Establishes the 20-member Task Force, consisting of 7 members each appointed by the Speaker of the House of Representatives and the President of the Senate, 5 members appointed by the Governor and the Executive Director of the SFB. The Task Force is responsible for reviewing and making recommendations on: 1) possible funding sources for construction and maintenance of school facilities; 2) building renewal and new construction formula changes; 3) minimum school facility adequacy guidelines; 4) capital costs of reducing K-3 grade class sizes; 5) capital costs of counting kindergarten pupils as one average daily membership for new school construction; and 6) capital costs of implementing energy efficiency best practices. Requires the Task Force to initially report by December 1, 2007, and provide a final report by December 1, 2008.

Arizona Energy and Water Savings Pilot Program (Program) – Appropriates \$2,500,000 from the state General Fund in FY 2007-2008 to the SFB to administer the Program that provides development and implementation grants to school districts to manage energy and water savings projects in-house or through contracted services. Requires the Arizona Department of Commerce Energy Office (Energy Office) to provide technical assistance to the Program. The Program is permitted up to \$250,000 for administrative costs, of which \$150,000 is allocated to the SFB and \$100,000 is allocated to the Energy Office. Creates the interest-bearing Arizona Energy and Water Savings Grant Fund. Requires the SFB to report to the Governor, Legislature and Joint Legislative

APPROPRIATIONS COMMITTEE (Cont'd.)

Budget Committee by October 1, 2008, and October 1, 2009, on the number of grants provided and the amount of energy, water and other cost savings and benefits associated with the Program. Repeals the Program on January 1, 2010.

~~transportation; budget reconciliation~~ (NOW: budget reconciliation; transportation) (H.B. 2793) – Chapter 267

Makes statutory and session law changes related to transportation issues to implement the FY 2007-2008 budget.

State Highway Fund – Extends the allowable repayment period for State Highway Fund bonds from 20 to 30 years. Extends the lapsing date until June 30, 2008, for the \$500,000 appropriation from the State Highway Fund in FY 2006-2007 for the Arizona Department of Transportation's (ADOT) Motor Vehicle Division computer system assessment, retroactive to June 30, 2007.

Statewide Transportation Acceleration Needs (STAN) Account – Establishes the Transportation Acceleration Interest Reimbursement (TAIR) account and the Roads of Regional Significance Congestion Mitigation (RRSCM) account within the STAN account, which are exempt from the STAN disbursement formula requirement, and that are initially funded with an appropriation of \$10,000,000 each in FY 2007-2008 from the STAN account. The State Transportation Board (STB) may reimburse interest costs for transportation project acceleration from TAIR account monies if specified conditions are met. Additionally, authorizes the STB to consider interest cost reimbursements from STAN monies along with other eligible acceleration projects.

Requires any expenditure from the RRSCM account to fall under the account's outlined requirements and be used for the construction, design or planning of roads and bridges that are contained, but not funded, in the transportation plan of a city, town or county and the average growth rate of the city, town or county exceeds the respective average city, town or county growth rate in Arizona by at least 50 percent in the last five years. The RRSCM account terminates on July 1, 2012.

Highway Extension and Expansion Loan Program (HELP) – Authorizes ADOT to use up to \$10,000,000 from HELP for eligible transit capital projects in municipalities with a population of 50,000 persons or less.

Safety Enforcement and Transportation Infrastructure Fund (SETIF) – Effective July 1, 2007, restores the ability of the Arizona Department of Public Safety and ADOT to use SETIF monies to enforce vehicle safety requirements and maintain transportation facilities within 25 miles of the Arizona-Mexico border, which were prohibited by Laws 2006, Chapter 205. Additionally, \$2,000,000 is appropriated from SETIF to ADOT for design, planning and construction of a safety inspection station at the San Luis II port of entry; and \$600,000 is appropriated to ADOT to enter into agreements and fund the Arizona-Mexico Commission, the Department of Homeland Security and the Arizona International Development Authority to improve traffic safety, border security and infrastructure planning. Repeals the Joint Legislative Review Committee on Transportation Between Sonora, Mexico and Arizona.

Railroad Right-of-Way – Repeals a \$650,000 appropriation designated for railroad right-of-way acquisition adopted in Laws 2002, Chapter 328, and reappropriates the remaining unexpended monies to ADOT for costs related to the study, planning and acquisition of railroad right-of-way and infrastructure necessary to accommodate future freight and passenger rail service.